



NEWS RELEASE

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SBA Revamps 504 Loan Program to Improve Delivery, Ease Expansion of CDCs

WASHINGTON – The U.S. Small Business Administration is modifying its 504 Certified Development Company Program to encourage creation of new lenders, expansion of the territories they serve, and, ultimately, improve the delivery of the program to small businesses and further spur job creation.

The new rules were published in the Federal Register Oct. 7, and will become effective 30 days after publication. The most significant changes affect the program's lenders, or Certified Development Companies and their organizational structure, as well as steps to form a new CDC or expand the territory of an existing one.

"We believe the new rules will make the 504 Program more responsive to changes in market conditions," said SBA Administrator Hector V. Barreto. "By allowing market-driven forces to determine availability of the program services, small businesses will have greater opportunities to negotiate the best financing packages as well as receive increased service by CDCs."

Some highlights of the changes are:

- More flexible membership requirements for CDCs;
- Greater authority to approve more non-standard projects;
- Expansion of the areas of operation to allow all CDCs statewide coverage; and
- Elimination of rules requiring a minimum number of loans by each lender.

Demand for loans under the 504 Program has not reached the maximum budgetary authority for many years, although the program registered a record \$3.16 billion in loans in the most recently completed fiscal year. The program's authorization maximum for the year, however, was \$4.5 billion. With the new rules, the SBA is taking steps to increase the availability of a program whose flexibility is vital for the small business community.

The 504 Program, originally created in 1986, provides long-term, fixed-rate financing to small businesses at favorable rates for fixed-asset financing as a means to foster economic development and create and preserve jobs in urban and rural areas.

From 1986 to 2002, the 504 Program created or retained more than 1.5 million jobs, averaging approximately \$13,600 of debenture per job.

For more information about all of the SBA's programs for small businesses, call the SBA Answer Desk at 1-800 U ASK SBA or TDD 704-344-6640, or visit the SBA's extensive Web site at <http://www.sba.gov> in English, or www.sba.gov/espanol and www.negocios.gov in Spanish.